

ICYMI: Top Analyst Reverses Course
on KC-X Tanker Decision:

“...a double standard prevailed in the evaluation of the planes offered by the two teams.” – *Dr. Loren B. Thompson*

June 3, 2008

Dear Colleague:

When the Air Force made the decision to outsource the KC-X Next Generation Aerial Refueling Tanker to the European Aeronautic Defence and Space (EADS) Team, limited information was leaked to Loren B. Thompson, Ph.D. of the Lexington Institute. This led to a snap-judgment and claim that the EADS win was a “slam dunk.” Now, three months and a mountain of information later, Dr. Thompson has a radically different take on the decision.

Dr. Thompson now asserts that the Air Force has refused to answer basic questions on cost, risk, operational capability, and past performance. He contends that the **competition was not transparent** and it appears **“a double standard prevailed in the evaluation of the planes offered by the two teams.”**

The KC-X Tanker decision was the wrong decision for our nation, our workers, and our warfighters. The competition was unfair, favoring a foreign competitor over the American. With time, knowledge and careful study, Dr. Thompson now understands this. We hope the Pentagon will make a similar judgment. It is our responsibility in Congress to urge them to review this decision, and take appropriate action if the Pentagon fails to act.

Sincerely,

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Issue Brief

May 28, 2008

TANKER CONTROVERSY: QUESTIONS THE AIR FORCE MUST ANSWER

Loren B. Thompson, Ph.D.

It is now three months since the Air Force shocked the world by awarding the contract for its next-generation aerial-refueling tanker to Northrop Grumman and the European parent of Airbus. Throughout that time, service officials have insisted that the process by which the winner was chosen was transparent and fair. But the service has failed to answer even the most basic questions about how the decision was made to deny the contract to Boeing, the widely favored incumbent. The Government Accountability Office is expected to issue a ruling on Boeing's protest of the outcome in mid-June. Whatever it finds, the Air Force has some explaining to do...

1. The Air Force says it would cost roughly the same amount to develop, manufacture and operate 179 next-generation tankers, regardless of whether they are based on the Boeing 767 or the Airbus A330. But the Airbus plane is 27% heavier than the Boeing plane, and burns over a ton more fuel per flight hour. With fuel prices headed for the upper stratosphere, how can both planes cost the same amount to build and operate over their lifetimes?
2. The Air Force says it would be equally risky to develop the Boeing tanker or the Airbus tanker -- after forcing Boeing to substantially increase the time and money required to develop its version. But Boeing proposed to build its tanker on the same assembly line where it has already constructed hundreds of the same airframe, whereas Airbus proposes to build its tanker at a plant and with a workforce that don't yet exist in Alabama. How can the risks be equal?
3. The Air Force says that a computerized simulation of how the competing tankers would function in an actual wartime scenario strongly favored the larger Airbus plane. But the simulation assumed longer runways, stronger asphalt and more parking space than actually exists at forward bases, and failed to consider the consequences of losing bases in wartime. How can such unrealistic assumptions be relevant to the selection of a next-generation tanker?
4. The Air Force says the Northrop-Airbus team received higher ratings on past performance than the Boeing team, based on a review of programs deemed similar to the future tanker. But Boeing built all 600 of the tankers in the current Air Force fleet, whereas Northrop and Airbus have never delivered a single tanker equipped with the refueling boom the Air Force requires. How can Northrop and Airbus have superior past performance?

I could go on. The Air Force refused to consider Boeing cost data based on 10,000,000 hours of operating the commercial version of the 767, substituting instead repair costs based on the 50-year-old KC-135 tanker. It said it would not award extra points for exceeding key performance objectives, and then proceeded to award extra points. It said it wanted to acquire a "medium" tanker to replace its cold war refueling planes, and ended up picking a plane twice as big.

Whatever else this process may have been, it definitely was not transparent. Even now, neither of the competing teams really understands why the competition turned out the way it did. It would be nice to hear from the Air Force about how key tradeoffs were made, because at present it looks like a double standard prevailed in the evaluation of the planes offered by the two teams.